



MICHIGAN
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**Testimony of the Michigan Business and Professional Association
Before the House Insurance Committee
Wednesday, October 17, 2007**

**Presented by
Jennifer Kluge, Executive Vice President, Chief Operating Officer**

Good morning Representatives, Mr. Chairman, on behalf of the Michigan Business and Professional Association thank you for this opportunity to speak in regards to House Bills 5282, 5283, 5284 and 5285.

We represent over 20,000 business members that employ over 280,000 individuals throughout the State of Michigan. We provide group and individual Blue Cross Blue Shield and Blue Care Network healthcare products to our members.

I would like to inform you of a growing trend in the business community as it relates to insurance for individuals and families in the State of Michigan. We have seen a shift in the market as it relates to a definition of a business. Many individuals now work out of their home, many more individuals are being hired on a contractor basis and we have seen many of our member companies go "virtual." What this means is that entire departments and companies are phased into a virtual company with all or most of its employees are considered contractors that work out of their homes. These individuals are in need of obtaining their own health insurance for themselves and their families. Of our 20,000 member companies we have over 3,200 that fall in this category or basically 15 percent of our membership is self-employed as a home based or contractor business. These members need more options and more flexibility in obtaining healthcare coverage.

Another growing trend that we have seen is the inability of traditional businesses to offer group healthcare to their employees and are opting out of offering group insurance. This leaves employees seeking individual coverage on their own. While it is not a good trend, it is an important one to note.

The concerns our members express when looking for individual healthcare options are as follows: 1. their inability to get good coverage; 2. the affordability of these products; 3. the medical underwriting that they are subjected to and; 4. the fear that they will get cancelled if they become ill.

The need for Blue Cross and Blue Shield to cover these individuals is critical. What we see is that young and healthy individuals go to other carriers and older, less healthy individuals take Blue Cross Blue Shield. What we are concerned about is how long Blue Cross Blue Shield

can continue to take on this risk and still be able to cover those in need of individual insurance at a reasonable price.

In a July 2007 survey of 1,000 of our business members they indicated that their greatest pains are (ranked in order): 1. Michigan's declining economy; 2. the inability to get affordable healthcare; 3. rising taxes. In the past year, we have seen the highest number of members going out of business in the history of the Michigan Business and Professional Association since 1987. Combine this with the large employer layoffs and you have an enormous amount of individuals needing healthcare coverage.

Many individuals and families are forced to take Cobra because of medical history. It's not the medical history that one normally considers a significant condition. Normally, with medical conditions one would think about former heart attacks, cancer, diabetes and the like. This is no longer the case; rates are increased for such things as a history of asthma, anxiety, prescription drug medication, being 30 pounds overweight and the like.

The bottom line is we need to put all the pieces of the puzzle together. The economy, taxes and rising health care costs are straining our bright spot in the economy, small business. These businesses are forced to cancel group insurance and encourage employees to find their own health care. These bills provide individuals and their families with fair pricing and protection of obtaining coverage, protecting consumers on rate hikes, and ensures a safety net in the market to minimize the uninsured. We encourage you to support these bills and market reform in the individual market.